



## DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY

801 K STREET, MS 19-01, SACRAMENTO, CALIFORNIA 95814 • (916) 322-4027 • [WWW.CALRECYCLE.CA.GOV](http://WWW.CALRECYCLE.CA.GOV)

June 14, 2010

Mr. Rich Rechif  
San Diego State University Research Foundation  
5250 Campanile Drive  
San Diego, CA 92182-1947

RE: FINAL AUDIT REPORT – SAN DIEGO STATE UNIVERSITY RESEARCH  
FOUNDATION (CONTRACT NUMBER IWM05053)

Dear Mr. Rechif:

Enclosed is the final report on the audit of the San Diego State University Research Foundation (Foundation), regarding the contract with the Department of Resources Recycling and Recovery to perform a waste tire flow study in the California-Mexico border region. The audit was planned and performed to determine compliance with the contract provisions. The period of audit was April 15, 2006 through December 31, 2009.

The audit disclosed that the Foundation claimed \$4,647 in unallowable direct labor costs, and \$1,208 of ineligible overhead costs.

The response by the Foundation to the draft audit report on April 22, 2010, along with the evaluation of that response is included in this final report. The response did address your corrective actions for Findings 1 and 2.

Rich Rechif  
June 14, 2010  
Page 2

Please contact Gladys Onejeme, Auditor, at (916) 324-6892 or  
gladys.onejeme@calrecycle.ca.gov with any questions regarding this report.

Sincerely,



Susan Villa, Chief  
Fiscal Services Branch  
Administration and Finance Division

Enclosure

cc: Rachel Lancaster, Finance and Accounting Manager, San Diego State University  
Research Foundation  
Lorraine Van Kekerix, Integrated Waste Program Manager, Compliance  
Evaluation and Enforcement Division  
Theresa Bober, Manager, Business Administration Office  
Sarah Keck, Accounting Administrator 1 (Supervisor)  
Gladys Onejeme, Auditor, Audits and Evaluations Unit, CalRecycle  
CalRecycle Audits and Evaluations Unit File

---

**CONTRACT AUDIT**

**SAN DIEGO STATE UNIVERSITY  
RESEARCH FOUNDATION**

**Final Audit Report**

**Contract Number IWM05053**

**For the Period April 15, 2006  
Through December 31, 2009**

**Prepared By:  
Department of Resources Recycling and Recovery  
Audits and Evaluations Unit**

**June 2010**

---

## TABLE OF CONTENTS

---

### FINAL AUDIT REPORT

SUMMARY.....	1
BACKGROUND .....	1
OBJECTIVES, SCOPE, AND METHODOLOGY.....	2
CONCLUSION .....	2
VIEW OF RESPONSIBLE OFFICIAL .....	2
RESTRICTED USE.....	3
FINDINGS AND RECOMMENDATIONS .....	4
ATTACHMENT A – SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION'S RESPONSE TO DRAFT REPORT.....	7
ATTACHMENT B - CALRECYCLE'S COMMENTS ON SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION'S RESPONSE.....	12



## **FINAL AUDIT REPORT**

---

### **San Diego State University Research Foundation Contract Number IWM05053**

#### **SUMMARY**

The Department of Resources Recycling and Recovery audited the payments made to the San Diego State University Research Foundation in reference to Contract Number IWM05053.

The audit was performed to determine whether:

- The contract was executed in accordance with the specified provisions, applicable State laws, policies, and procedures
- The contract manager provided support and fiscal oversight to ensure that contract payments were accurate and properly monitored
- The contract was executed in a manner that safeguarded the interests of the Department and the State.

The audit disclosed that the Foundation claimed \$4,647 in unallowable direct labor costs, and \$1,208 of ineligible overhead costs.

#### **BACKGROUND**

The Foundation and the State Water Resources Control Board's Office of Borders Affairs partnered with the former California Integrated Waste Management Board (currently the Department of Resources Recycling and Recovery) to conduct the Border Region Waste Tire Flow Study. This study dealt with the flow of used tires that were exported from California across the international border into Mexico, including the states of Baja California and Baja California Sur, and part of the state of Sonora. The audit authority is based on Contract Number IWM05053 provisions; State Administrative Manual, Chapter 1200; and CalRecycle Administrative Manual, Section 8000.

#### **OBJECTIVES, SCOPE, AND METHODOLOGY**

The audit objectives were to determine whether:

- The contract was valid, properly authorized, and approved by responsible staff, and monitored

- Written policies and procedures for activities related to the contract were followed
- Adequate separation of duties over the contract function was provided
- The contract payments were in compliance with State laws, regulations, and policies

The audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

The audit was conducted in accordance with *Government Auditing Standards*. The standards require the audit to be planned and performed to obtain sufficient and appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives.

A review of BAO's and SDSURF's internal controls was limited to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

The audit procedures performed included:

- Review of the contract, contract laws, rules, regulations, policies and related accounting records
- Tests of procedural compliance relative to the contract payments
- Review of the McGladrey & Pullen, independent audit report performed on SDSURF's financial statements dated September 11, 2009
- Review of the internal control procedures relating to the contract
- Interviews and observations of the individuals involved in the development, authorization, and monitoring of the contract

## CONCLUSION

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the Findings and Recommendations section of this report.

## VIEW OF RESPONSIBLE OFFICIAL

CalRecycle issued a draft report on April 8, 2010. Rachel Lancaster, SDSURF Finance and Accounting Manager, responded to the report, and accepted the findings disclosed.

## RESTRICTED USE

This report is intended for the information and use of BAO and the accounting unit. However, this report is a matter of public record and distribution is not limited.



## FINDINGS AND RECOMMENDATIONS

### **FINDING 1 - Unallowable Direct Labor Costs Claimed**

The San Diego State University Research Foundation (SDSURF) claimed \$4,647 in unallowable direct labor costs as a result of the following issues:

1. The direct labor costs claimed for two employees (Paul Ganster @ 50% and Kimberly Collins at 100%) exceeded by 50% the maximum percentage of pre-approved time allowable for Kimberly Collins. The breakdown of unallowable time is shown below:

#### Invoice Number 74509

##### Schedule 1

<u>Hours Worked</u>		<u>Pay Rate</u>		<u>Costs</u> <u>Unallowable</u>
21.75	x	\$42.80	=	\$ 930.90

#### Invoice Number 74424

##### Schedule 1

<u>Hours Worked</u>		<u>Pay Rate</u>		<u>Costs</u> <u>Unallowable</u>
32.63	x	\$42.80	=	\$1,396.56

##### Schedule 2

<u>Hours Worked</u>		<u>Pay Rate</u>		<u>Costs</u> <u>Unallowable</u>
21.75	x	\$42.80	=	\$ 930.90

Total				\$3,258.36
-------	--	--	--	------------



2. The hourly rate of \$14.00 claimed by an SDSUF employee (Reynaldo Rojo) was not properly justified by supporting timesheets as shown below:

<u>Invoice Number</u>	<u>Schedule Number</u>	<u>Claimed</u>	<u>Audited</u>	<u>Unallowable Labor Costs</u>
75632	1	\$1,536.00	\$1,344.00	\$ 192.00
74509	1	2,675.50	2,464.00	211.20
75162	1	3,968.00	3,472.00	496.00
75162	2	1,408.00	1,232.00	176.00
74424	1	1,216.00	1,120.00	96.00
74424	2	1,337.60	1,232.00	105.60
73210	1	1,456.00	1,344.00	<u>112.00</u>
Total				\$1,388.80

Contract Number IWM05053, Exhibit B, Section 1A states, "For services satisfactorily rendered and upon receipt and approval of the invoices, the State agrees to compensate the contractor for actual expenditures incurred in accordance with the rate specified."

In addition, Section 1B states, "Itemized invoices shall be submitted in triplicate, with two sets of supporting documentation (i.e. receipts, timesheets, etc)."

As a result, SDSURF should remit \$4,647 in unallowable direct labor costs to the Department of Resources Recycling and Recovery.

#### Recommendation

SDSURF should ensure that the direct labor costs are claimed in accordance with the contract provisions.

#### **FINDING 2 - Ineligible Overhead Costs Claimed**

SDSURF claimed \$1,208 in ineligible overhead costs based on the 26% overhead rate applied to \$4,647 in unallowable direct labor costs referenced under Finding 1.

Contract Number IWM05053, Exhibit B, Section 1A states, "For services satisfactorily rendered and upon receipt and approval of the invoices, the State agrees to compensate the contractor for actual expenditures incurred in accordance with the rate specified."

As a result, SDSURF should remit \$1,208 in ineligible overhead costs to the Department of Resources Recycling and Recovery.

#### Recommendation

SDSURF should ensure that the overhead costs claimed are based on allowable direct labor costs charged to the contract.

## ATTACHMENT A – SDSURF’S RESPONSE TO FINAL REPORT

---

(This Page Left Blank Intentionally)

(This Page Left Blank Intentionally)





SAN DIEGO STATE  
UNIVERSITY  
Research Foundation

April 22, 2010

Ms. Gladys Onejeme  
Department of Resources Recycling & Recovery  
P.O. Box 4025 MS 19A  
Sacramento, CA 95812-4025

RE: Audit of Contract Number IWM05053

Dear Ms. Onejeme,

This letter serves as SDSU Research Foundation's response to your letter dated April 8, 2010. We accept your findings and will be removing the disputed expenses related to your contract. Your audit report requested remittance of \$4,647.00 in unallowable direct labor costs and \$1,208.00 of ineligible overhead costs for a total amount of \$5,855.00. However, your agency has unpaid invoices due to us detailed as follows:

<i>Invoice Number</i>	<i>Amount</i>
76724	\$807.46
77256	\$4,537.61
77351	\$1,357.01
<b>Total</b>	<b>\$6,702.08</b>

Copies of the invoices listed above are included with this letter. We request that you remit the difference between the balance owed and the remittance requested, which is \$847.08.

If you have any questions or require any further documentation, please contact me at (619) 594-5688 or by e-mail at [rlancaster@foundation.sdsu.edu](mailto:rlancaster@foundation.sdsu.edu)

Sincerely,

Rachel Lancaster  
Finance and Accounting Manager

Cc: Michele Goetz, Associate Executive Director, Sponsored Research Services, SDSU Research Foundation  
Renee Lechner, Director, Sponsored Research Administration, SDSU Research Foundation  
Melinda Coil, Chief Financial Officer, SDSU Research Foundation

Finance & Accounting  
5250 Campanile Drive  
San Diego, CA 92182-1947  
Tel: 619-594-5771  
Fax: 619-594-3224  
[www.foundation.sdsu.edu](http://www.foundation.sdsu.edu)

FURTHERING THE EDUCATIONAL,  
RESEARCH AND COMMUNITY-SERVICE  
MISSION OF SAN DIEGO STATE UNIVERSITY



INVOICE

ENTD APR 02 2009

No. 76724

JKM

**SAN DIEGO STATE UNIVERSITY FOUNDATION**  
dba SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION  
5250 CAMPANILE DR.  
SAN DIEGO, CA 92182 - 1948  
(619) 594 - 5771

PLEASE INCLUDE  
INVOICE NO. ON  
PAYMENT OR RETURN  
COPY OF INVOICE

TO: CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD  
FINANCIAL ASSISTANCE BRANCH  
1001 "I" STREET  
PO BOX 4025, MS-10  
SACRAMENTO, CA 95812-4025  
ATTN: SARAH KECH, MS 10A

DTL	CD	FUND	ORGN	ACCT
3786		54447A		1416

CUSTOMER REFERENCE  
IWM 05053

DATE April 01, 2009

**COMMENTS:**

REQUEST FOR REIMBURSEMENT OF EXPENSES IN CONNECTION WITH THE ABOVE REFERENCED  
AGREEMENT ENTITLED: "Tire Flow Study in CA Mex Brdr" UNDER THE DIRECTION OF Paul Ganster  
AT SAN DIEGO STATE UNIVERSITY FOR SERVICES & PRODUCTS RECEIVED AFTER OCTOBER 16, 2008.

Prepared by Andrea Prescott, Financial Administrator (619) 594-2116.

**INVOICE ITEMS:**DescriptionAmount

SEE ATTACHED DETAIL OF EXPENDITURES:

SERVICES RENDERED & PRODUCTS RECEIVED AFTER OCTOBER 16, 2008

12,309.62

10% WITHHELD (\$12,309.62)

-1,230.96

TOTAL:

11,078.66

**TOTAL DUE UPON RECEIPT:**

**\$11,078.66**

PAID JUL -6 2009 \$10,271.20  
BAL DUE \$807.46





INVOICE ENT'D JUN 09 2009

No. 77256

JKM

PLEASE INCLUDE  
INVOICE NO. ON  
PAYMENT OR RETURN  
COPY OF INVOICE

**SAN DIEGO STATE UNIVERSITY FOUNDATION**  
dba SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION  
5250 CAMPANILE DR.  
SAN DIEGO, CA 92182 - 1948  
(619) 594 - 5771

TO: CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD  
FINANCIAL ASSISTANCE BRANCH  
1001 "I" STREET  
PO BOX 4025, MS-10  
SACRAMENTO, CA 95812-4025  
ATTN: SARAH KECH, MS 10A

DTL	CD	FUND	ORGN	ACCT
3786		54447A		1416

CUSTOMER REFERENCE  
IWM 05053

DATE June 09, 2009

**COMMENTS:**

REQUEST FOR REIMBURSEMENT OF EXPENSES IN CONNECTION WITH THE ABOVE REFERENCED AGREEMENT ENTITLED: "Tire Flow Study in CA Mex Brdr" UNDER THE DIRECTION OF Paul Ganster AT SAN DIEGO STATE UNIVERSITY FOR THE PERIOD THROUGH MAY 15, 2009.

Prepared by Andrea Prescott, Financial Administrator (619) 594-2116.

**INVOICE ITEMS:**DescriptionAmount

10% WITHHOLD - REMAINING BALANCE DUE  
(THIS INVOICE GOES WITH THE FINAL INVOICE # 77255)

4,537.61

**TOTAL:** 4,537.61

**TOTAL DUE UPON RECEIPT:****\$4,537.61**

JUL 14 2009



## INVOICE

No. 77351

JKM

**SAN DIEGO STATE UNIVERSITY FOUNDATION**  
dba SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION  
5250 CAMPANILE DR.  
SAN DIEGO, CA 92182 - 1948  
(619) 594 - 5771

PLEASE INCLUDE  
INVOICE NO. ON  
PAYMENT OR RETURN  
COPY OF INVOICE

TO: CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD  
FINANCIAL ASSISTANCE BRANCH  
1001 "I" STREET  
PO BOX 4025, MS-10  
SACRAMENTO, CA 95812-4025  
ATTN: SARAH KECH, MS 10A

DTL	CD	FUND	ORGN	ACCT
3786		54447A		1416

CUSTOMER REFERENCE  
IWM 05053

DATE June 17, 2009

**COMMENTS:**

REQUEST FOR REIMBURSEMENT OF EXPENSES IN CONNECTION WITH THE ABOVE REFERENCED AGREEMENT ENTITLED: "Tire Flow Study in CA Mex Brdr" UNDER THE DIRECTION OF Paul Ganster AT SAN DIEGO STATE UNIVERSITY FOR THE PERIOD THROUGH MAY 15, 2009.

Prepared by Andrea Prescott, Financial Administrator (619) 594-2116.

**INVOICE ITEMS:**Description

SEE ATTACHED DETAIL OF EXPENDITURES:

REFUND FROM DR GANSTER FOR PER DIEM DISALLOWED ON INV# 76724

Amount

42,338.60

10.00

THIS IS THE FINAL INVOICE.

(SEE SEPARATE INVOICE FOR 10% WITHHOLDING)

TOTAL: 42,348.60

**TOTAL DUE UPON RECEIPT: \$42,348.60**

PAID JUL - 6 2009 \$40,991.59

BAL DUE \$1,357.01

JUL 28 2009





## **ATTACHMENT B – CALRECYCLE’S COMMENTS ON SDSURF’S RESPONSE**

---

CalRecycle is providing the following comments on SDSURF’s response to Findings 1 and 2 included in the final report.

SDSURF accepted Findings 1 and 2, and will remove the disputed expenses related to contract number IWM05053. However, SDSURF claims that contract invoice numbers 76724, 77256, and 77351 totaling \$6,702.08 have not yet been paid by CalRecycle. Accordingly, SDSURF requests the payment of \$847.08 based on the difference between the total findings amount of \$5,855.00 and \$6,702.08 in the unpaid invoices.

The Audits and Evaluations Unit will forward a copy of this final report to CalRecycle’s Accounting Unit to evaluate SDSURF’s request for payment of the contract invoices above.

